

Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 IO-13 ISO-00 AF-10 ARA-10 EA-10
EUR-12 NEA-11 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
ITC-01 TRSE-00 ICA-11 SP-02 SOE-02 OMB-01 DOE-15
OIC-02 /169 W

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P 121730Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 9604
INFO AMEMBASSY WELLINGTON

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USMTN

ACTION STR PASS ELECTRONICALLY
PASS AGRICULTURE AND COMMERCE
STR PASS CODEL

E.O. 11652: N/A
TAGS: MTN, ETRD
SUBJECT: US-NEW ZEALAND BILATERAL, MAY 8

REF: A) GENEVA 5672, B) GENEVA 6459, C) GENEVA 4178
D) STATE 118355, E) STATE 112304

1. SUMMARY NZ DEL REEMPHASIZED IMPROVED CONDITIONS OF
ACCESS FOR DAIRY PRODUCTS IS CRITICAL AREA FOR MTN SETTLE-
MENT WITH US. THEY ALSO OUTLINED IN A GENERAL, BUT POSI-
TIVE, MANNER WHAT NZ IS PREPARED TO DO TO CONCLUDE A
MUTUALLY SATISFACTORY MTN PACKAGE IN SPITE OF CONSTRAINTS
IMPOSED BY CONTINUING ADVERSE BOP PROBLEMS. US DEL
REACTED FAVORABLY TO APPROACH OUTLINED, STRESSED NEED
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FOR FULL RESPONSE TO US REQUESTS, STATED NZ DAIRY RE-
QUESTS RECEIVING SERIOUS CONSIDERATION, AND EXPLAINED
INTERRELATIONSHIP OF NATURE AND TIMING OF RESPONSE TO
PROGRESS IN DAIRY AND IN OTHER MTN AREAS. WE AGREED TO
MEET END OF MAY OR BEGINNING OF JUNE, BEFORE THE JUNE
8/9 ANZUS MEETING IN WASHINGTON, WITH A VIEW OF REACHING
AGREEMENT ON THE ELEMENTS OF POTENTIAL MTN PACKAGE.

WOODFIELD TO CONTINUE DISCUSSIONS WITH APPROPRIATE HIGH LEVEL OFFICIALS IN WASHINGTON MAY 15. END SUMMARY.

2. US DEL (SWAIN, KOENIG, SORENSON, MIMS) MET MAY 8 WITH NZ DEL LED BY ASST. SEC. E.A. WOODFIELD AND AMBASSADOR FARNON TO DISCUSS SUPPLEMENTARY OFFERS AND TO ENGAGE IN SUBSTANTIVE BARGAINING (REFTELS A ANB B). HOWEVER, IN ABSENCE OF ANY INDICATION OF US RESPONSE TO NZ'S SPECIFIC DAIRY REQUESTS, PROGRESS COULD BE MADE ONLY IN GENERAL TERMS ON THE KIND OF APPROACHES THAT NZ IS CONTEMPLATING ON TARIFFS, LICENSING AND STATE TRADING REQUESTS IN ARRIVING AT A MTN SETTLEMENT PACKAGE WITH THE US.

3. WOODFIELD BEGAN BY STATING THAT NZ HAS GONE FURTHER IN ASSESSING WHAT THEY CAN DO ON US REQUESTS AND THEN INQUIRED IF US, IN TURN, HAD ANY FURTHER RESPONSES TO THEIR SUPPLEMENTARY REQUESTS (REFTEL C) AND TO THEIR SPECIFIC DAIRY REQUESTS (REFTEL A). HE ALSO REQUESTED US GIVE MORE POSITIVE CONSIDERATION THAN HITHERTO TO NZ'S TARIFF OFFER AS IN THEIR VIEW, THE BALANCE OF BENEFITS OF RESPECTIVE INITIAL TARIFF OFFERS LIES WITH THE US (NZ TARIFF OFFER ALREADY IN FORCE, REFLECTING REDUCTION OF TARIFFS OVER PAST 5 YEARS, PHASING OUT OF UK PREFERENCES-EXCEPT ON MOTOR VEHICLES-BINDINGS OFFERED.)

4. US DEL REPLIED THAT WE HAD NO FURTHER RESPONSES AT LIMITED OFFICIAL USE

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THIS STAGE, BUT THAT NZ DAIRY REQUESTS WERE RECEIVING SERIOUS CONSIDERATION AND OUTLINED FACTORS CONDITIONING THE NATURE AND TIMING OF OUR RESPONSE (REFTEL D AND STARKEY-FARNON MAY 3 DISCUSSION). US DEL STATED THAT THE US HAD NOT DISCOUNTED THE VALUE OF NZ INITIAL TARIFF OFFER BUT DISSATISFACTION CENTERED ON LIMITED NATURE AND SCOPE OF RESPONSE TO US REQUESTS. IMPROVEMENTS WERE NEEDED.

5. WOODFIELD EXPRESSED SATISFACTION THAT NZ DAIRY REQUESTS WERE UNDER SERIOUS CONSIDERATION AND WAS FULLY COGNIZANT OF LINKAGE TO PROGRESS ON DAIRY AND RELATED SUBSIDY/COUNTERVAILING DUTY ISSUES WITH EC. THE EC WAS A COMPLICATING FACTOR FOR NZ AS THEY LOOK TOWARDS SHAPE OF FINAL MTN PACKAGE. THE "IF YOU WILL, WE WILL" FACTOR WEIGHTS VERY HEAVY IN THEIR NEGOTIATIONS WITH THE EC, AS IT SEEMS TO DO WITH OTHERS, AND HE OPINED THAT A TIMELY US RESPONSE TO NZ DAIRY REQUESTS WOULD HAVE A SALUTORY REPERCUSSION ON US-EC DAIRY ISSUES.

6. WOODFIELD SAID OTHER COMPLICATING FACTORS WERE (1) THE FACT THAT BECAUSE OF SCALE OF MARKET, NZ CANNOT BUY

THE CONCESSIONS THEY ARE SEEKING WITHOUT POSITIVE CONSIDERATION BEING GIVEN TO NZ'S OVERALL CONTRIBUTION TO OTHER SEGMENTS OF THE MTN, (2) THE CONTINUOUS BOP PROBLEMS WHICH EXERCISE CONSTRAINT ON LIBERALIZING LICENSING SYSTEM AND (3) THE NEW TARIFF SCHEDULE, DESIGNED TO INCREASINGLY SHOULDER THE BURDEN OF PROTECTING INDUSTRY, CREATED PROBLEMS IN MAKING TARIFF CUTS, AS THE TARIFF HAS TO BE TESTED. IN PRESENT SITUATION, NZ IS MORE LIKELY TO LIBERALIZE IN THE AREA OF LICENSING THAN IN TARIFFS. IN SOME AREAS (E.G. TOBACCO, LEATHER, MACHINES HAVING INDIVIDUAL FUNCTIONS, ETC.) NO DECISION CAN BE MADE UNTIL INDUSTRY RATIONALIZATION STUDIES HAVE BEEN COMPLETED. FINALLY, EVEN THOUGH IT IS THEIR INTENT TO LIBERALIZE LICENSING, THEY CANNOT RESPOND FULLY TO US REQUESTS TO LIMITED OFFICIAL USE

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P 121730Z MAY 78 CITE RUEHCS 0905M
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ELIMINATE LICENSING ON A WIDE RANGE OF PRODUCTS, SINCE, GIVEN THE CONTINUOUS BOP PROBLEMS, ANY COMMITMENT TO ELIMINATE LICENSING WOULD BE HOLLOW IN THAT IT WOULD HAVE TO BE CONDITIONED ON AMELIORATION OF BOP PROBLEMS.

7. SPECIFICALLY, WOODFIELD SUGGESTED THREE WAYS IN WHICH NZ MIGHT LIBERALIZE IN RESPONSE TO OUR NTM REQUESTS: (1) NZ COULD OFFER A MINIMUM BASIC LICENSING ALLOCATION WHICH WOULD BE MORE SUBSTANTIAL AND SECURE THAN ANYTHING IN THE PAST; (2) WITH REGARD TO ITEMS PACKAGED FOR RETAIL SALE - PACKAGING INDUSTRY CURRENTLY UNDER REVIEW - THEY ARE SUGGESTING THAT A PERCENTAGE OF THE BASIC ALLOCATION OR OF BASIC IMPORTS FOR BULK COMMODITIES BE SET ASIDE FOR PACKAGED GOODS (E.G. 10 PERCENT); AND (3) WITH REGARD TO STATE TRADE ITEMS (APPLES, PEARS, CITRUS) THE LIMITED OFFICIAL USE

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GOVERNMENT IS THINKING OF ESTABLISHING SEASONAL MINIMUM IMPORT TARIFF QUOTAS (APPARENTLY, SOLE IMPORT AGENCIES WOULD COMMIT THEMSELVES TO BUY MINIMUM QUANTITIES).

8. IT WAS CONCEIVABLE, HE SAID, TO APPLY SUCH A JUDICIOUS BLEND OF TARIFF AND NON-TARIFF MEASURES POSSIBILITIES TO PRACTICALLY ALL OF US REQUESTS, WITH EXCEPTION OF SPECIALTY FLOURS AND LEATHER ITEMS. THEY WERE ALSO LOOKING AT SEPARATE CLASSIFICATION FOR PROTEIN FOOD SUBSTANCES. WOODFIELD THEN ASKED WHAT VALUE US WOULD ATTACH TO THESE SORTS OF ACTION AND WAS THIS THE KIND OF MIX WE WERE LOOKING FOR. US DEL REPLIED THAT WE WERE ENCOURAGED BY SUCH AN APPROACH AND WOULD REGARD ALL TRADE LIBERALIZATION MEASURES AS HAVING SOME VALUE, BUT COULD NOT SAY SPECIFICALLY WHAT VALUE WE WOULD ATTACH TO THESE MEASURES UNTIL THEY WERE RELATED TO OUR SPECIFIC PRODUCT REQUESTS - DEPTH OF TARIFF CUTS, EXTENT OF BINDINGS AND LICENSING EXEMPTIONS OFFERED.

9. WE THEN RAISED SUBJECT OF TOBACCO. WOODFIELD SAID THAT HE WAS UNSURE EXACTLY WHAT WE WANTED IN THIS AREA. THE US ALREADY SUPPLIES 75 PERCENT OF THE IMPORTS OF THIS ITEM, WHICH AMOUNTS TO ABOUT 45 PERCENT OF TOTAL CONSUMPTION. OUR TOBACCO EXPORTS DO NOT SEEM TO BE AFFECTED BY THE TARIFF. THE MIXING REGULATION HAS DE FACTO NO EFFECT, SINCE NZ MANUFACTURES CHOOSE TO USE A PERCENTAGE OF LOCAL TOBACCO WHICH IS HIGHER THAN THE MINIMUM, FOR COMMERCIAL AND OTHER REASONS. HENCE, IT IS HARD TO SEE HOW THE US WOULD INCREASE ITS SALES OF TOBACCO EVEN IF THE MIXING REGULATION WERE ELIMINATED AND THE TARIFF REDUCED. HE SAID THAT IT MUST BE A PRESENTATIONAL ISSUE FOR THE US, AND WE AGREED, POINTING OUT THAT IT IS A MAJOR AGRICULTURAL EXPORT TO NZ. WOODFIELD SAID THAT AN INDUSTRY STUDY WAS UNDERWAY ON

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TOBACCO WHICH SHOULD BE COMPLETED BY THE END OF THE MONTH, AND THOUGH HE COULD PROMISE NOTHING, THEY MAY BE ABLE TO DO MORE THEN. IT WAS NOT LIKELY, HOWEVER, SINCE THIS IS AN ELECTION YEAR IN NZ, AND THE LEADER OF THE OPPOSITION IS FROM THE TOBACCO GROWING DISTRICT.

10. WOODFIELD REITERATED THAT ANY ACTION OR ANY FURTHER ACTION THAT NZ MIGHT TAKE DEPENDS UPON THE US TAKING THEIR RECIPROCAL INTERESTS INTO ACCOUNT, AND IN THIS CONNECTION MENTIONED, APART FROM DAIRY, A DUTY ELIMINATION ON LAMB, CONTINUATION OF DUTY SUSPENSION ON APPAREL WOOLS, 60 PERCENT CUT ON BOXED BEEF (1076020). IN RESPONSE TO QUESTION ON WHAT NZ WOULD BE PREPARED TO OFFER IF US WERE FORTHCOMING ON THEIR DAIRY REQUESTS. WOODFIELD SAID THAT IF THE US WERE VERY FORTHCOMING, NZ WOULD CONTEMPLATE EXEMPTIONS FROM LICENSING REQUIREMENTS AND/OR TARIFF CUTS ON MOST ITEMS THEREBY GOING BEYOND THE POSITION THEY HAVE TAKEN EARLIER AND EVEN IMPLIED THEY WOULD DO SOMETHING ON TOBACCO.

11. COMMENT: IT SEEMS, THOUGH IT IS NOT CERTAIN, THAT NZ WOULD BE PREPARED TO SUBSTANTIALLY MEET OUR REQUESTS IF WE WERE ABLE TO RESPOND POSITIVELY TO THEM ON DAIRY. WHILE WE REALIZE THAT OUR RESPONSE IS RELATED TO BROADER EC AND MTN ISSUES, THE FACTS SEEM TO BE CLEAR THAT IF WE RESPOND POSITIVELY, WE GET MOST OF WHAT WE WANT FROM NZ, IF WE DO NOT, WE CAN ALREADY SEE WHAT WE GET: SOMETHING LESS THAN WHAT WOODFIELD SKETCHED OUT. IN ANY EVENT, WE SHOULD HAVE A RESPONSE TO NZ DAIRY REQUESTS BEFORE JUNE MEETING. IN ADDITION, IT IS ESSENTIAL THAT WE BE PROVIDED PARAMETERS OF OUR REQUESTS/OFFERS, A NOTION OF OUR PRIORITIES (PARTICULARLY ON INDUSTRIAL ITEMS) AND THE VALUE OF NZ INDUSTRIAL OFFER AND IMPROVEMENTS NEEDED.

12. DRAFTED BY SWAIN AND MIMS. MCDONALD
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Message Attributes

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